

**To the Mayor and Members of the City Council****March 5, 2019**

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SUBJECT: HOTEL OCCUPANCY TAX – EXTENDED STAY EXEMPTIONS

Chapter 351 of the Texas Tax Code authorizes a city by ordinance to impose a local hotel occupancy tax (HOT). The tax is tied to the amount a person pays for the use or right to use a sleeping room in a hotel. The term “hotel” is broadly defined as a building in which the public can obtain sleeping accommodations for consideration (payment). The tax is imposed based on how property is used and not tied to the manner in which the property is zoned.

Collection and Reporting

The City of Fort Worth’s Hotel Occupancy Tax is found in Article II of Chapter 32 of the City Code. Under Chapter 32, hotels in the City are responsible for collecting the tax on the consideration paid, filing monthly reports, and making monthly remittance of the tax collected in the preceding month. Report and remittance are due no later than the 25th of the month following each monthly period.

Exception and Exemptions

State law does not allow HOT to be applied to a “permanent resident,” which is defined as someone who has the right to use or possess a room for at least 30 consecutive days, so long as there is no interruption of payment for the period. Permanent residents must state upon check-in that they are staying 30 consecutive days; otherwise they must pay the tax. If they leave before the 30 day period, the hotel is responsible for collecting the tax from them.

State law also mandates certain exemptions to the tax, including for the United States, its governmental entities, and federal employees engaged in official duties. For state government employees, in most cases they must pay the tax, and the state government entity they work for may apply for a refund. Religious, charitable, or educational organizations are not exempt from the City HOT.

HOT Audits

As a part of the FY2018 Annual Audit Plan, Internal Audit completed its 5th year of a five-year hotel audit cycle. In those five years, Internal Audit validated taxable hotel occupancy revenue reported to the City of Fort Worth by 25 hotels. The audits identified approximately \$44,000.00 in HOT underpayments, plus the identification of one hotel that used an inaccurate calculation methodology over multiple years.

Each year, Internal Audit verified hotel room revenue and HOT exemptions claimed (e.g., permanent residents/30-consecutive room stay days, employees of US government entities, and diplomatic personnel with the U. S. State Department).

As a result of an internal audit recommendation, the Financial Management Services Department revised the City’s HOT reporting format to require that hotels itemize exemptions by type. The revised format allows management to identify trends, by exemption type. Prior to this revision, hotels were only required to report total taxable hotel revenue.

If you have any questions, please call Patrice Randle, City Auditor, at 817-392-6132 or Denis McElroy, Sr. Assistant City Attorney, at 817-392-2758.

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City Manager